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U.S. Department of Agriculture
Office of the Secretary

AN OUTLOOK FOR AMERICAN AGRICULTURE: THE UPBEAT VIEW

It's a great pleasure to discuss the agricultural outlook today with this distinguished group of leaders in American Agriculture.

It's especially a pleasure to do so at this time because the outlook for American agriculture is upbeat.

Last January, the dark nights were long and cold. Now it's July and the days are long and sunny. And so it is with agriculture.

Our farm price and income situation has turned to the bright side. And the outlook is far sunnier than it was just six months ago. Let's take a look at what's happened so far this year:

* For the ninth consecutive month, farm prices have increased for all major commodities. Just since May, they're up 18.5 percent. The change from last year's low prices, on the average, is 25 to 30 percent higher. Wheat is 76 cents higher; corn is up 56 cents a bushel; soybeans are $1.35 a bushel higher; cattle prices remain $10 per hundred above season low prices of 1977.

* Net farm income for 1978 -- before inventory adjustments -- is forecast to be at least 25 percent higher than last year's $20.1 billion. Net income of more than $25.5 billion will be the highest since 1974 and the third highest on record.

The total disappearance of U.S. wheat this year is estimated at some 1.7 billion bushels -- nearly equal to the disappearance in 1973-74 year of the big Russian wheat sale.

The current grain reserve program -- farmer-owned and farmer-controlled -- has given us an effective handle on the price-depressing surpluses and has substantially strengthened market prices for wheat and feed grains. This program is a sharp departure from the old government-owned program.

Remarks prepared for delivery by James C. Webster, Director, Office of Governmental and Public Affairs before the State Presidents, American Farm Bureau, Chicago, Illinois, July 13, 1978

As of June 21, USDA reports that alomost 52 percent of the farmers in the United States have signed-up to participate in the major commodity programs. This signup represents over 72 percent of the nation's eligible crop acreage.

As of June 30, farmers have put 354.5 million bushels of wheat, 104 million bushels of corn, and 27 million bushels of oats in the farmer-owned reserve program.

Because of the high farmer participation in the set-asides and the reserve, there has been marked increases in the economic health of America's farmers.

* Agricultural exports for fiscal 1978 will set a new record and exceed last year's record $24 billion by at least $1 to $2 billion, and depending on demand and U.S. prices, this could increase to even higher levels. In terms of volume, USDA is now estimating a 10 percent increase in volume to a record 116 metric tons.

* And because of our strong posture in food and fiber exports, agriculture will contribute nearly $12 billion toward our nation's balance of payments deficit. That's up about $1.5 billion from fiscal 1977.

It's important to try to understand why we've seen such an abrupt upturn in prospects and in farmers' attitudes.

One reason, I submit, is that the Carter Administration's policies and programs are working. Frankly, there were many of us -- and indeed many of you -- who never doubted that they would, given the chance.

It has been enormously satisfying to read in urban newspapers about what one of them termed "the Administration's surprisingly popular farm programs."

And it has been encouraging to read in a respected farm publication, one with a history of honest concern about reserve programs, the assessment that this reserve program is working.

Many of you, I am sure, have had real reservations about government-sponsored reserve programs. You share with us an almost unanimous displeasure with the kind of overhanging surpluses that we had in the Sixties.

But this time it's different. Those reserves are in the farmers' hands. They're stored where the farmer wants. And when the price goes up, the farmer gets the profit.

Another reason is the continued strong outlook for exports of your farm products. The U.S. is headed for another record year in farm exports -- and we're committed to build on that record. Doing so will not be easy. It will take imagination, persistence, and some new ideas.

Already, we are trying to break new ground in exports. Earlier this year, Secretary Berrgland opened our first trade development office in London. We hope to open several more. Legislation now moving through Congress may give us new tools to continue these efforts.

Our market development people are developing systems to identify the best potential growth areas and to chart ways of developing those markets.

I'd like to discuss in particular one of those potential growth areas -- the one that, in my mind, holds the most exciting potential for real export growth.

That area is in the developing countries, often referred to as the "Third World" countries.

Too often we have thought of developing countries only as recipients for food aid and technical assistance. They are that, but they are more.

Since 1970, for example, the developing countries have increased their imports of American farm products by 47 percent while the developed countries have increased their U.S. grain imports by only 22 percent.

We estimate that 25 to 30 million acres of U.S. farmland are harvested annually to meet the needs of developing countries.

Given the population growth rates and the nutritional needs of developing countries, the potential for agricultural products in the developing world is enormous.

Even marginal improvements in per capita income could significantly affect world trade. And that's precisely the target we must aim at -- to narrow the income gap between the developing and the developed countries.

Let me give you just one brief example of how the concept is designed to function. Last November the World Bank approved a $65 million loan to Indonesia.

The World Bank is a multilateral institution created to provide developing countries with low capital for developmental projects. The Department of Agriculture participates in reviewing the loan applications.

The Indonesian loan was keyed to the development or rehabilitation of several thousands of acres of farmland.

In analyzing the project, the reviewing officials learned that:

-- 5,750 settler families would triple their incomes in 12 years.

-- about 11,500 permanent jobs would be created.

-- more than 4,000 casual laborers would be employed for up to six months each year.

Indonesia imported $239 million worth of farm products from us last year, $212 million in 1976 and $156 million in 1974.

We can reasonably anticipate that Indonesian purchases of U.S. farm products will continue to accelerate as their national income rises thanks, in part, to these foreign aid programs.

A strong agricultural foundation is the basis for a strong national economy in developing countries. To achieve this strength -- to narrow the income gap between developing and developed nations -- there must be a substantially higher level of investment in the developing countries.

As much as this country has contributed in foreign aid over the years -- and the United States has been a most generous nation -- the problem of economic growth remains pervasive among the poorer countries.

They depend on U.S. aid to support their growth, however small it may be. Any interruption in the flow of U.S. foreign aid can well diminish and even reverse the growth process. What's more, if our foreign aid programs are reduced, our farm producers will feel the impact on their incomes in the years ahead.

It is instructive to look at 14 countries which have been major recipients of U.S. economic and technical assistance. They are Japan, Spain, Iran, India, South Korea, Egypt, Israel, Taiwan, Thailand, Morocco, Nigeria, Jamaica, Brazil and Hong Kong.

Their average annual growth rates in agricultural production have been substantially greater than in the United States. In the process, they developed their economies and consumer levels to the extent that their present imports of U.S. farm products are roughly twenty times greater than they were 20 years ago. As other countries continue to advance toward higher income levels, the general pattern of increased food imports can be expected to be comparable.

That's why it is in the interest of every farmer, every agribusinessman, every farm leader, to avoid further cuts in our overall aid program and any country and commodity restrictions on our contributions to international financial institutions.

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